

Comus Investment, LLC

Dear Partners,

January 1st, 2018

In the fourth quarter of 2017 our investments experienced a total return of 10.19% before fees and 9.56% after fees, versus 6.64% for the S&P 500 index. For the year of 2017, we generated a total return of 36.03% before fees and 33.51% after fees, versus 20.17% for the S&P 500 index. At this point you will have received reports with the details on your balance, fees, holdings, and performance from InteractiveBrokers for the past quarter and full year.

This was the first year on record in which the S&P 500 posted a positive return in all 12 months- the records I've seen go back to 1928, so it took about 90 years for this to happen. In addition, 18 of the last 19 months have brought positive returns for the S&P 500 which I believe is also a record for the index.

The dramatic returns for the market as a whole this past year are said to have been propelled by the promise of lower corporate taxes and financial deregulation. Despite the potential merits and effects of these initiatives, it is my belief that valuations in the United States are unfounded and the data show they have now reached historical heights relative to both current and future corporate earnings. They have been so for more than a few years now. As previously noted, for many reasons I do not believe that current interest rates justify the valuations either. The rise in stock prices over the past year has as much to do with optimistic thinking and euphoria as it has to do with the effects that political initiatives may bring about. I have presented my beliefs on this in detail in prior letters so I will not harp on it much in this one; feel free to read them in the 2016 annual letter.

Throughout 2017, I continued our preferred investment strategy of buying extremely cheap companies. It seems that the rest of the investment community is content with paying extraordinary prices for high-growth tech stocks, but our performance has and will continue to come from the purchase of undervalued and ignored companies. The vast majority of the companies we purchase are quite small, obscure, and operate in industries which many would find boring and/or obtuse. Many of them are industrials, and as I have mentioned before, this group continues to deliver for us in terms of outperformance. We hold a collection of firms that are cheap relative to both assets owned and average earnings (as well as my estimate of the cash flows they can generate going forward), and I will continue to purchase such firms for us. As usual, when the opportunity arises I will purchase 'good' companies that we can hold for long periods of time, but there is no rush to do so as we rotate the cheaper stocks that may not be particularly great companies.

I would like to keep these letters shorter in the hopes that all partners may have the patience to read them from start to finish and so this letter is far shorter than that of 2016. Frankly, it was an unremarkable yet consistent year for us and I will do my best to keep up our historical results moving forward. I cannot say what the future may bring, but I will continue to find bargains on public equities markets for us all to own and profit from.

I plan on running this firm for many years to come, and appreciate that you all have joined us on this journey. I also understand the responsibility I have in managing the money we all have spent our time earning- I keep it in mind with every investment we make. Thank you all for your support and trust.

As always, if you have any questions or concerns please reach out and I would be happy to talk.

Best,

Aaron J. Saunders

Owner & Manager, Comus Investment, LLC.

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